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九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 34)

DISCLOSEABLE AND CONNECTED TRANSACTION

**ACQUISITION OF 80% EQUITY INTEREST IN
IDEAPLAN INVESTMENTS LIMITED TOGETHER WITH
ASSIGNMENT OF RELATED SHAREHOLDER'S LOAN**

The Board announces that on 13 May 2011, the Company entered into the Acquisition Agreement with Win Talent pursuant to which the Company agreed to purchase the Ideaplan Sale Shares together with the assignment of the Sale Loan for an aggregate consideration of HK\$1,319,651,404. The Ideaplan Sale Shares represent 80% equity interest in the issued share capital of Ideaplan. Ideaplan is an investment holding company and its only asset of significance is its interest in the entire registered capital of Polytec Wuxi, which in turn owns the Wuxi Property.

Win Talent is indirectly owned by Mr Or and his family, the Acquisition therefore constitutes a connected transaction for the Company. As one of the applicable percentage ratios for the Acquisition is over 5% but less than 25%, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition also constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

An Independent Board Committee comprising all the Independent Non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Acquisition. A circular containing, amongst other things, further details relating to the Acquisition, the letter from the Independent Board Committee, the advice from the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders, and the notice convening the Extraordinary General Meeting is intended to be despatched to the Shareholders on or before 3 June 2011.

THE ACQUISITION AGREEMENT

Date: 13 May 2011

Parties to the Acquisition Agreement:

- (1) The Company; and
- (2) Win Talent, which is an investment holding company and is indirectly owned by Mr Or (a Director and the substantial shareholder of the Company) and his family. Win Talent is

therefore an associate of a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Acquisition

Pursuant to the Acquisition Agreement, the Company has agreed to purchase from Win Talent the Ideaplan Sale Shares and the Sale Loan is to be assigned to the Company. The Ideaplan Sale Shares represent 80% of the issued share capital of Ideaplan. After completion of the Acquisition, Ideaplan will become a non-wholly owned subsidiary of the Company.

Ideaplan is a company incorporated in the British Virgin Islands and its share interest is owned as to 80% by Win Talent and as to 15% by Greatpath Group Limited, an independent third party and as to 5% by Max Great Investments Limited, an independent third party. The only asset of significance of Ideaplan is its interest in the entire registered capital of Polytec Wuxi, a wholly foreign owned enterprise established in the PRC. Polytec Wuxi owns the Wuxi Property, which comprises five composite residential and commercial sites with a total site area of approximately 51,437 square metres and is being developed into a combined residential and commercial development with a gross floor area of approximately 479,600 square metres of which approximately 308,600 square metres are above ground. Phase 1 of the development with a planned total gross floor area of approximately 107,900 square metres of which approximately 82,400 square metres are above ground, is currently under construction.

The consolidated net asset value of Ideaplan was approximately HK\$54,522,000 and the carrying value of the Wuxi Property was approximately RMB837,600,000 (equivalent to approximately HK\$994,479,000) as at 31 March 2011 based on the unaudited management accounts. The unaudited consolidated before and after tax losses of Ideaplan for the two years ended 31 December 2009 and 2010 were as follows:

	Year ended 31 December 2009	Year ended 31 December 2010
(Loss) before tax	HK\$(5,140,213)	HK\$(12,755,809)
(Loss) after tax	HK\$(5,140,213)	HK\$(12,755,809)

As at 31 March 2011, the amount of the shareholder's loan owed by Ideaplan to Win Talent was HK\$823,885,004 which was largely made proportionate to Win Talent's 80% equity interest in Ideaplan and the amount will be assigned to the Company upon completion of the Acquisition Agreement.

As at 31 March 2011, based on the unaudited consolidated management accounts, Ideaplan had assets amounting to approximately HK\$249 million other than the Wuxi Property, which comprised mainly deposits, cash and cash equivalents, and liabilities amounting to approximately HK\$165 million other than shareholders' loans, which represented mainly bank loan.

Consideration

The aggregate consideration for the Acquisition is HK\$1,319,651,404, comprising the consideration for the Ideaplan Sale Shares in the sum of HK\$495,766,400 plus the face value of the Sale Loan in the sum of HK\$823,885,004. The consideration was determined after arm's length negotiations between the parties based on the net asset value of Ideaplan adjusted to reflect the market value of the Wuxi Property of RMB1,700,000,000 (equivalent to approximately HK\$2,018,403,000 as at 31 March 2011, based on a preliminary property valuation by an independent property valuer and taking account of the tax effect of the appreciation of Wuxi Property.

The consideration will be payable by the Company in cash in accordance with the following schedule:

- 10% of the consideration, equivalent to HK\$131,965,140, will be payable by the Company upon the signing of the Acquisition Agreement; and
- the balance of 90% of the consideration, equivalent to HK\$1,187,686,264, will be payable by the Company at completion.

The Company intends to satisfy the consideration of the Acquisition by internal resources, bank financing and/or loans from the ultimate holding company under normal commercial terms.

Conditions

Completion of the Acquisition Agreement is conditional upon:

- (a) the compliance by the Company of all applicable requirements of the Listing Rules in relation to the transactions contemplated under the Acquisition Agreement, including where necessary, the obtaining of Independent Shareholders' approval with respect to the transactions under the Acquisition Agreement;
- (b) the Company being satisfied with the results of the due diligence on the Ideaplan Sale Shares and the Sale Loan;
- (c) the other shareholders of Ideaplan, Greatpath Group Limited and Max Great Investments Limited, granting consent to the transfer of the Ideaplan Sale Shares from Win Talent to the Company;
- (d) the receipt of a valuation report on the Wuxi Property held by Polytec Wuxi in terms to the satisfactory of the Company, with the appraised value of not less than RMB1,700,000,000; and
- (e) if applicable, the obtaining of all other consents, approvals and authorisations in relation to the transactions contemplated under the Acquisition Agreement.

REASONS FOR THE TRANSACTION

The Group is principally engaged in property investment and development in Hong Kong, Macau and the PRC.

The consideration payable for the Acquisition is based on the net asset value of Ideaplan adjusted by the effect of change in fair value of the Wuxi Property to the market value of RMB1,700,000,000 (equivalent to approximately HK\$2,018,403,000) and the Sale Loan to be assigned. The Wuxi Property is located at the centre of Wuxi in the prosperous Jiangsu Province, which by high speed train, only takes approximately 30 minutes to travel to Shanghai. The Wuxi Property is for composite residential and commercial use and the Company intends to develop the Wuxi Property into a residential, commercial, hotel and office complex. The Acquisition is in line with the business activities of the Company and will enable the Company to expand its portfolio of development projects and improve its revenue base. Phase 1 of the development of the Wuxi Property is currently under construction and this will save substantial time and avoid potential risks and uncertainties associated with the start-up of a property development project and is thus to the advantage of the Company. Having regarded to the above, the Directors (excluding the Independent Non-executive Directors, who will express their views in the circular after considering the advice from the independent financial adviser) are of the view that the terms of the Acquisition Agreement were concluded after arm's length negotiations on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GENERAL

Given that Win Talent is indirectly owned by Mr Or and his family, the Acquisition constitutes a connected transaction for the Company. As one of the applicable percentage ratios for the Acquisition is over 5% but less than 25%, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition also constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

An Independent Board Committee comprising all the Independent Non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Acquisition. A circular containing, amongst other things, further details relating to the Acquisition, the letter from the Independent Board Committee, the advice from the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders, and the notice convening the Extraordinary General Meeting is intended to be despatched to the Shareholders on or before 3 June 2011.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Ideaplan Sale Shares by the Company and the assignment of the Sale Loan to the Company pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 13 May 2011 between the Company and Win Talent in relation to the Acquisition
“Board”	the board of directors of the Company
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ideaplan”	Ideaplan Investments Limited, a company incorporated in the British Virgin Islands
“Ideaplan Sale Shares”	80 shares of US\$1.00 each in the issued share capital of Ideaplan, representing 80% of the issued share capital of Ideaplan
“Independent Board Committee”	an independent committee of the Board, comprising all the Independent Non-executive Directors, appointed by the Board to advise the Independent Shareholders in relation to the Acquisition
“Independent Shareholders”	shareholders of the Company other than Mr Or and his associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr Or”	Mr Or Wai Sheun, an Executive Director and the substantial shareholder of the Company
“Polytec Wuxi”	Polytec Property (Wuxi) Limited, a wholly foreign owned enterprise company established in the PRC and is a wholly-owned subsidiary of Ideaplan
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the amount advanced by Win Talent to Ideaplan, which stands at HK\$823,885,004 as at 31 March 2011 and shall not be of any lesser amount at completion of the Acquisition, and will be transferred to the Company pursuant to the terms of the Acquisition Agreement
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Win Talent”	Win Talent Investments Limited, a company incorporated in the British Virgin Islands, a company indirectly owned by Mr Or and his family
“Wuxi Property”	five composite use sites with a total site area of approximately 51,437 square metres located at Tongyun Road and Gongyun Road, Congan District, Wuxi, Jiangsu Province of the PRC

Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement, for illustration only, at the rate of HK\$1.00 to RMB0.84225. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rates or at all.

By Order of the Board
Kowloon Development Company Limited
Or Wai Sheun
Chairman

Hong Kong, 13 May 2011

As at the date of this announcement, the Directors of the Company are Mr Or Wai Sheun (Chairman), Ms Ng Chi Man, Mr Lai Ka Fai and Mr Or Pui Kwan as Executive Directors; Mr Keith Alan Holman (Deputy Chairman), Mr Tam Hee Chung and Mr Yeung Kwok Kwong as Non-executive Directors; and Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy, Mr Seto Gin Chung, John and Mr David John Shaw as Independent Non-executive Directors.